

**Medicare Prescription Drug, Improvement, and Modernization Act of 2003**  
**REGIONAL PPOS – ENTRY AND RETENTION FUND**  
Sections 221 and 222

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) gives the Secretary of Health and Human Services several tools to attract and retain regional Preferred Provider Organization (PPO) plans throughout the country as part of the newly created Medicare Advantage (MA) program.

Specifically, starting in 2007 a plan entry and retention fund will be created consisting of \$10 billion and additional monies from the plan bids. In instances where regional MA plans bid below their applicable regional price benchmarks, these plans can use 75 percent of the difference between their bids and the benchmarks to either provide extra benefits or to reduce premiums. The remaining 25 percent is returned to the government, and half of that amount is used to fund the plan entry and retention fund.

The Secretary can use the fund in several ways:

- If an insurer enters the program nationally (by bidding to provide an MA regional plan in all regions), then its benchmark payment in each region is increased by 3 percent. This payment is available for one year only, and it is not available if there was a national plan the prior year.
- If no regional MA plans serve a given region in one year, then the Secretary may increase the benchmark for that region for the following year. The Secretary can choose how large the increase is and how long it lasts.
- If plans signal that they are going to leave a region, the Secretary may increase the benchmark in that region in an effort to retain plans and attract new bidders. Two additional conditions must be met: the exits must result in fewer than 2 regional organizations being available, and the percentage MA enrollment in the region must be less than the percentage MA enrollment at the national level. The Secretary can choose how high to raise the benchmark (within certain limits), and the increase can last for up to two years.

All of the above payments are subject to the overall budget constraint for the plan entry and retention fund. The Secretary and the CMS actuaries must certify that there is enough money in the fund to cover the payments, and they may limit enrollment in regional plans receiving the payments to make sure enough money is available.

The Secretary must also periodically report to Congress about how the plan entry and retention fund has been used and the market conditions in regions that make its use necessary.